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President to Seek Delay in Increase For U.S. Retirees

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President Reagan will ask Congress in his upcoming budget to postpone next June's scheduled cost-of-living increase in federal retirement benefits for seven months, until Jan. 1, 1985.

Inflation adjustments would be made each Jan. 1 thereafter.

About 3.2 million retirees, both civilian and military, would be affected. The government would save several hundred million dollars over the next several years; the average Civil Service retiree would lose about \$350 in 1984 income, assuming a 5 percent rate of inflation.

The administration is also readying a plan to pay less than a full cost-of-living increase each year to retired civil servants in the upper benefit brackets. They would get a full cost-of-living increase on some base benefit amount, perhaps the first \$10,000 a year. On the excess, their inflation allowance would be reduced.

Rep. John N. Erlenborn (R-Ill.), who proposed such a shift last August, said yesterday, "I know the Office of Management and Budget is interested, and the Office of Personnel Management as well. We've been working with them."

Erlenborn's proposal would pay a full cost-of-living increase on the first \$10,000 a year in military and Civil Service benefits, but only a 60 percent of inflation allowance on amounts above that.

Administration sources confirmed yesterday that a cutoff plan similar to Erlenborn's is expected to be included in the fiscal 1984 budget proposal, but said it would not necessarily use the same \$10,000 or 60

percent figures. Erlenborn said he did not know whether the administration would propose a cutoff only for Civil Service retirees or for military as well, nor when it might be effective.

He said it is possible the administration would ask that the effective date be postponed until after its proposed Jan. 1, 1985, cost-of-living adjustment is paid. That way, a high-pension retiree would not suffer an extra cut in his inflation allowance after having just waited an extra half-year to receive it.

According to government records, there are about 1.8 million persons receiving Civil Service retirement benefits as annuitants or survivors, and over 800,000 get \$10,000 a year or more; the average annuitant gets nearly \$12,500 a year. So if \$10,000 were used as the cutoff, it would affect a large minority of beneficiaries. There are about 1.4 million persons receiving military retirement pensions and about 800,000 receive \$10,000 a year or more.

OMB spokesman Edwin Dale confirmed yesterday that the administration would seek the 1984 cost-of-living postponement. He recalled that last year a one-year postponement had been requested, but not enacted.

He said the administration, in effect, was concurring in a vote by the House earlier this year to delay the next civilian and military cost-of-living increases both from June 1, 1984, to Jan. 1, 1985. A six-month postponement in the payment of the Social Security cost-of-living increase was enacted in 1983, Dale said, and the new proposal would do the same for comparable government benefits.

Although the House did vote for the postponement and the Senate Budget Committee also approved it, it never passed the Senate and sources said yesterday that its future is unclear.

Federal civilian and military retirees last received a cost-of-living adjustment in April of this year. It was 3.9 percent for Civil Service retirees and older military retirees.

Military retirees under 62, however, got 3.3 percent.

If the new seven-month delay is enacted, it will mean that both military and Civil Service retirees would go from May 1, 1983, to Jan. 1, 1985, without a cost-of-living increase, or 19 months. Moreover, the increase would not reflect the full increase in the consumer price index over that span, but would be equal only to the increase over the last year of the period.

Capitol Hill sources said the postponement could reduce military and Civil Service pension outlays by \$520 million in fiscal 1984, \$810 million in fiscal 1985 and \$1.4 billion in fiscal 1986.

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